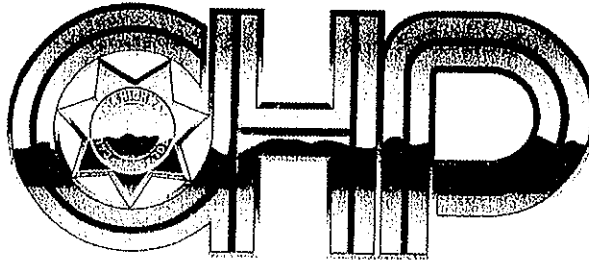


DEPARTMENT OF CALIFORNIA HIGHWAY PATROL

**COMMAND AUDIT OF SPECIAL
PROJECTS SECTION**



FINAL REPORT

MAY 22, 2009

M e m o r a n d u m

Date: May 22, 2009

To: Office of the Commissioner
Attention: Commissioner J. A. Farrow

From: **DEPARTMENT OF CALIFORNIA HIGHWAY PATROL**
Office of the Assistant Commissioner, Inspector General

File No.: 005.9968.A13471.010

Subject: FINAL 2008 COMMAND AUDIT REPORT OF SPECIAL PROJECTS
SECTION

In accordance with the Institute of Internal Auditors, *International Standards for the Professional Practice of Internal Auditing* § 2020, issued by the Institute of Internal Auditors, Government Code §13887 (a)(2), and the California Highway Patrol Audit Charter, I am issuing the 2008 Command Audit Report of Special Projects Section. The audit focused on the command's contracts and purchasing.

The audit revealed the command has adequate operations. However, some weaknesses were observed. This report presents suggestions for management to improve on some of its operations. In doing so, operations would be strengthened and the command would ensure it is operating in compliance with policies and procedures. We have included our specific findings, recommendations, and other pertinent information in the report. Special Projects Section agreed with the findings and plans to take corrective actions to improve its operations. The command will be required to provide quarterly updates to the Office of Inspections on the progress of their corrective action plan implementation until the command has resolved all deficiencies. Additionally, the Office of Inspections plans on conducting a follow-up review within one year from the date of the final report.

Additionally, in accordance with the *International Standards for the Professional Practice of Internal Auditing* and Government Code §13887 (a)(2), this report, the response, and any follow-up documentation is intended solely for the information and use of the Office of the Commissioner; Office of the Assistant Commissioner, Staff; Office of the Assistant Commissioner, Inspector General; Office of Legal Affairs; Office of Inspections; Planning and Analysis Division, and Special Projects Section. Please note this report restriction is not meant to limit distribution of the report, which is a matter of public record pursuant to Government Code 6250 et seq.

Safety, Service, and Security

Office of the Commissioner

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May 22, 2009

The Office of Inspections would like to thank Special Projects Section's management and staff for their cooperation during the audit. If you need further information, please contact Assistant Chief Ken Hill at (916) 843-3005.



M. C. A. SANTIAGO

Assistant Commissioner

cc: Office of the Assistant Commissioner, Staff
Office of Legal Affairs
Office of Inspections ✓
Planning and Analysis Division
Special Projects Section

BUSINESS, TRANSPORTATION AND HOUSING AGENCY

DEPARTMENT OF CALIFORNIA HIGHWAY PATROL

COMMAND AUDIT OF SPECIAL PROJECTS SECTION

OFFICE OF INSPECTIONS, AUDITS UNIT

MAY 22, 2009

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EXECUTIVE SUMMARY

The Commissioner has the responsibility, by statute, to enforce laws regulating the operation of vehicles and use of highways in the State of California and to provide the highest level of safety, service, and security to the people of California. Accordingly, the Office of the Commissioner directed the Office of Inspections, Audits Unit, to perform an audit of a command selected by each Division. The Planning and Analysis Division selected the Special Projects Section.

The California Highway Patrol's (CHP) 2008-2009 Strategic Plan highlights the mission statement which includes five broad strategic goals designed to guide the CHP's direction. One strategic goal is to continuously look for ways to increase the efficiency and/or effectiveness of departmental operations.

The audit scope period covered the twelve months prior to the start of the audit field work. However, to provide a current evaluation of the command, primary testing was performed of business conducted during the final six months of fiscal year 2007-2008.

Based on the review of the Special Projects Section's operations, this audit revealed it has complied with most operational policies. However, some weaknesses were observed. The following is a summary of the identified weaknesses:

Contracts

- The command did not always maintain the Drug Free Workplace Certification (STD. 21) and/or Payee Data Record (STD. 204) forms for its X number contract files.
- Some contracts were signed by both contract parties after the contract start date.

Please refer to the Findings and Recommendations section for detailed information.

AUDIT REPORT

INTRODUCTION

To ensure the California Highway Patrol's (CHP) operation is efficient and/or effective and internal controls are in place and operational, the Office of the Commissioner directed the Office of Inspections, Audits Unit, to perform an audit of a command selected by each Division. Planning and Analysis Division selected Special Projects Section.

The CHP's 2008-2009 Strategic Plan highlights the mission statement which includes five broad strategic goals designed to guide the CHP's direction. One strategic goal is to continuously look for ways to increase the efficiency and/or effectiveness of departmental operations. This audit will assist the CHP in meeting its goal.

OBJECTIVE AND SCOPE

The objective of the evaluation is to determine if the command has complied with operational policies and procedures that provide managers with reasonable, but not absolute, assurance departmental operations are being properly executed. The audit period was twelve months prior to the start of the audit field work. However, to provide a current evaluation of the command, primary testing was performed of business conducted during the final six months of fiscal year 2007-2008. This audit included the review of existing policies and procedures, as well as, examining and testing recorded transactions, to determine compliance with established policies, procedures, and good business practices. The audit field work was conducted from October 15 - 23, 2008.

METHODOLOGY

Each Division commander selected one command to be audited regarding their cash receipts, contracts, evidence, purchasing, reimbursable service contracts, and advanced payments for predetermined services. Additionally, the Division commander could select any of the following topics: asset forfeiture, fleet operations, personnel records, and strategic plan reporting. The Planning and Analysis Division commander did not select any of the optional topical areas for audit. When preparing for the audit, and due to limited auditing resources, reimbursable service contracts was reduced to an examination of the Driving Under the Influence (DUI) Cost Recovery Program and advanced payments for predetermined services was reduced to Wide Load Services. Also, the audit of evidence was limited to guns, drugs, and money. Sample selection of areas to be audited was primarily random or judgmental. Whenever possible, the use of risk assessment was used to select a sample containing the highest probability of risk to the command. Furthermore, the auditors reviewed prior audit reports and findings.

OVERVIEW

Cash Receipts: The command does not handle or maintain cash receipts.

Contracts: Contracts appear to be processed according to departmental policy, but some weaknesses were present. The command did not always maintain the Drug Free Workplace Certification (STD. 21) and Payee Data Record (STD. 204) forms for its X number files. Some contracts were signed by both contract parties after the contract start date.

Evidence: The command does not handle or maintain evidence.

Purchasing: Purchases appear to be processed according to departmental policy. There were no reportable observations in the purchasing cycle.

Reimbursable Service Contracts: The command does not handle or maintain reimbursable services for DUI cost recovery.

Advance Payments for Predetermined Services: The command does not handle or maintain advance payments for Wide Load Services.

This audit revealed the command has adequate operations, nevertheless, weaknesses were discovered, which if left unchecked could have a future negative impact on the command and Department operations. These weaknesses should be addressed by management to maintain the command's compliance with appropriate laws, regulations, policies, and procedures. The findings and appropriate recommendations are presented in this report.

As a result of changing conditions and the degree of compliance with policies and procedures, the efficiency and effectiveness of operations change over time. Specific limitations may hinder the efficiency and effectiveness of an otherwise adequate operation include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, fraud, and management overrides. Establishing compliant and safe operations and sound internal controls would prevent or reduce these limitations; moreover, an audit may not always detect these limitations.

FINDINGS AND RECOMMENDATIONS

CONTRACTS

FINDING 1: The command did not always maintain the Drug Free Workplace Certification (STD. 21) and/or Payee Data Record (STD. 204) forms for its X number contract files.

Condition: Ten of the 11 X number contract files audited, either the Drug Free Workplace Certification (STD. 21) and/or Payee Data Record (STD. 204) forms were not maintained.

Criteria: Highway Patrol Manual, 11.1, Administrative Procedures Manual, Chapter 23, Delegation of X Number Contract Authority, paragraph 4.f. states, "The original STD. 21 Drug-Free Workplace Certification, and a copy of the STD. 204, Payee Data Record, should be retained in the originating command files for audit purposes."

Recommendation: The command should comply with departmental policy by maintaining its X number contract files.

FINDING 2: Some contracts were signed after the contract start date.

Condition: Four of six non-emergency contract files audited were signed by both parties (vendor and Department) after the contract start date.

Criteria: State Contracting Manual, Section 2.03.A. states, "When the services are needed is a critical factor. Sufficient time must be allowed for internal agency process as well as required external review(s)."

Recommendation: The command must allow sufficient time for non-emergency contract services to be processed.

CONCLUSION

Based on the review of the command's operation, this audit revealed the command has adequate operations. However, some weaknesses were observed. This report presents suggestions for management to improve on some of its operations. In doing so, operations would be strengthened and the command would operate in accordance to departmental policies and procedures.

ANNEX

A

Memorandum

Date: April 10, 2009

To: Office of Inspections, Audit Unit

From: **DEPARTMENT OF CALIFORNIA HIGHWAY PATROL**
Special Projects Section

File No.: 052.A7471.A6855.052.2009-374

Subject: CORRECTIVE ACTION PLAN – 2008 COMMAND AUDIT REPORT OF
SPECIAL PROJECTS SECTION

Special Projects Section (SPS) concurs with two recommendations listed in the attached Draft 2008 Command Audit Report. Corrective actions include the following:

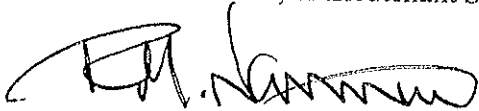
- Finding #1: The command did not always maintain the Drug Free Workplace Certification (STD. 21) and/or Payee Data Record (STD. 204) forms for its X number contract files.

Corrective Action: SPS managers and supervisors were made aware of the deficiency and developed and distributed the attached SPS Fiscal Accountability Checklist in October 2008. Follow up procedures were conducted by Lieutenant Ryan Stonebraker, #15648, and Business Services Section (BSS) managers provided policy and procedures training to SPS employees on December 2-3, 2008. A staff training day was also conducted on March 5, 2009. The anticipated completion date for signed STD. 21 and STD. 204 documents from vendors is June 1, 2009.

- Finding #2: Some contracts were signed after the contract start date.

Corrective Action: Same as above. SPS managers, supervisors, and affected employees discussed contract signature dates during the staff training day held on March 5, 2009. All contract requests (CHP 78) will be submitted six to nine months prior to a project's start date, and suspended until the signed Standard Agreement (STD 213) Agreement Summary (STD 215) documents are received from BSS Contract Services Unit.

If you have any questions or need additional information, please do not hesitate to contact me in SPS at extension 4242, or Lieutenant Stonebraker at extension 4239.



R. M. NANNINI, Staff Services Manager III
Commander

Attachment

cc: Planning and Analysis Division

Safety, Service, and Security